

House File 188 - Introduced

HOUSE FILE _____
BY LUKAN

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act allowing the use of moneys in the Iowa educational savings
2 plan trust to be used for payment of a beneficiary's student
3 loans, excluding such payments from individual income tax, and
4 including effective and retroactive applicability date
5 provisions.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

7 TLSB 1813HH 83

8 mg/rj/8

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1 1 Section 1. Section 12D.4, Code 2009, is amended by adding
1 2 the following new subsection:

1 3 NEW SUBSECTION. 3. Moneys accrued by participants in the
1 4 program fund of the trust may be used for repayments of a
1 5 beneficiary's loans made for qualified education expenses.
1 6 The payments can be made to the entity that owns the loan, the
1 7 participant, or the beneficiary.

1 8 Sec. 2. Section 12D.9, subsection 2, Code 2009, is amended
1 9 to read as follows:

1 10 2. State income tax treatment of the Iowa educational
1 11 savings plan trust shall be as provided in section 422.7,
1 12 subsections 32, ~~and 33,~~ and 34.

1 13 Sec. 3. Section 422.7, Code 2009, is amended by adding the
1 14 following new subsection:

1 15 NEW SUBSECTION. 34. Subtract, to the extent included, the
1 16 amount of withdrawals from the Iowa educational savings plan
1 17 trust which are used for repayments of a beneficiary's loans
1 18 made for qualified education expenses.

1 19 Sec. 4. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.
1 20 This Act, being deemed of immediate importance, takes effect
1 21 upon enactment and applies retroactively to January 1, 2009,
1 22 for tax years beginning on or after that date.

1 23 EXPLANATION

1 24 This bill allows participants in the Iowa educational
1 25 savings plan trust to withdraw funds from a beneficiary's
1 26 account to repay the beneficiary's loans made for qualified
1 27 education expenses. Because these withdrawals are not
1 28 currently considered qualified education expenses for income
1 29 tax purposes, these withdrawals would be included in gross
1 30 income. The bill provides that to the extent of such
1 31 inclusion, these withdrawals would not be included in net
1 32 income for state tax purposes.

1 33 The bill takes effect upon enactment and applies
1 34 retroactively to tax years beginning on or after January 1,
1 35 2009.

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